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VERSAFood SERVICES LIMITED



**ANNUAL REPORT**  
**1965**

*Master Chef to the Nation*

**DIRECTORS:**

\*ALLAN D. BAKER  
\*D. S. CHANT  
\*GRANT HORSEY  
J. WILLIAM HORSEY  
\*DOUGLAS KEEFE  
J. L. LEWTAS  
G. E. PHIPPS  
BRIG. F. C. WALLACE  
W. P. WILDER

*\*Member of the Executive Committee*

**OFFICERS:**

*Chairman of Board*  
GRANT HORSEY  
*President*  
ALLAN D. BAKER  
*Executive Vice-President*  
DOUGLAS KEEFE  
*Vice-President, Finance*  
W. V. HOWE  
*Secretary*  
G. G. CUNNINGHAM

**HEAD OFFICE:**

95 Brockhouse Road  
Toronto 14, Canada

**TRANSFER AGENT:**

CROWN TRUST COMPANY  
Toronto, Canada

**AUDITORS:**

CLARKSON, GORDON & CO.  
Toronto, Canada





# VERSAFOOD SERVICES LIMITED

(Incorporated under the laws of Canada) and its subsidiary companies

## CONSOLIDATED BALANCE SHEET DECEMBER 31, 1965

(with comparative figures at December 31, 1964)

### AUDITORS' REPORT

To the Shareholders of  
Versafood Services Limited:

We have examined the consolidated balance sheet of Versafood Services Limited and its subsidiary companies as at December 31, 1965 and the statements of consolidated profit and loss and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and deficit present fairly the financial position of the companies as at December 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.  
Chartered Accountants

Toronto, Canada, February 14, 1966

ASSETS	1965	1964
CURRENT:		
Cash . . . . .	\$ 121,172	\$ 125,813
Accounts receivable . . . . .	1,409,993	1,051,961
Inventories valued at the lower of cost or market . . . . .	763,388	877,126
Prepaid expenses . . . . .	324,380	347,534
TOTAL CURRENT ASSETS . . . . .	2,618,933	2,402,434
INVESTMENT IN ASSOCIATED COMPANY at cost (note 2) . . . . .	245,500	245,500
FIXED, at cost:		
Buildings, machinery, equipment and vehicles . . . . .	3,548,538	3,355,184
Less accumulated depreciation . . . . .	1,564,669	1,248,162
	1,983,869	2,107,022
Land . . . . .	12,000	12,000
TOTAL FIXED ASSETS . . . . .	1,995,869	2,119,022
OTHER ASSETS:		
Goodwill, at cost . . . . .	3,629,384	3,629,384
Incorporation and financing expenses . . . . .	467,465	467,465
TOTAL OTHER ASSETS . . . . .	4,096,849	4,096,849
	<u>\$8,957,151</u>	<u>\$8,863,805</u>

STATEMENT OF CONSOLIDATED DEFICIT	1965	1964
For the year ended December 31, 1965 (with comparative figures for 1964)		
Balance at beginning of year . . . . .	\$ 402,262	\$ 123,022
Net profit for the year . . . . .	365,343	118,016
	36,919	5,006
Special charges relating to changes in operating policy . . . . .		397,256
Balance at end of year . . . . .	<u>\$ 36,919</u>	<u>\$ 402,262</u>

LIABILITIES	1965	1964
CURRENT:		
Due to bankers . . . . .	\$ 156,270	\$ 653,494
Accounts payable and accrued liabilities . . . . .	1,761,093	1,548,799
Sales and other taxes payable . . . . .	76,707	63,774
TOTAL CURRENT LIABILITIES . . . . .	1,994,070	2,266,067
LOANS MATURING AFTER JANUARY 1, 1967 . . . . .	400,000	400,000
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized:		
2,000,000 common class A shares without nominal or par value		
2,000,000 common class B shares without nominal or par value		
Issued:		
600,000 common class A shares . . . . .	6,000,000	6,000,000
600,000 common class B shares . . . . .	600,000	600,000
	6,600,000	6,600,000
Deficit . . . . .	36,919	402,262
TOTAL SHAREHOLDERS' EQUITY . . . . .	6,563,081	6,197,738
	<u>\$8,957,151</u>	<u>\$8,863,805</u>

STATEMENT OF CONSOLIDATED PROFIT AND LOSS	1965	1964
For the year ended December 31, 1965 (with comparative figures for 1964)		
Sales . . . . .	\$23,883,647	\$20,746,169
Operating costs . . . . .	22,450,409	19,570,336
Profit before the following items . . . . .	1,433,238	1,175,833
Selling, accounting and other head office expenses (note 3) . . . . .	610,123	633,236
Interest charges (\$23,052 relating to non current loans) . . . . .	54,901	61,392
Depreciation . . . . .	402,871	363,189
	1,067,895	1,057,817
Net profit for the year (note 4) . . . . .	<u>\$ 365,343</u>	<u>\$ 118,016</u>

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. A building lease terminating in 1981 requires the company to pay annual rentals of \$31,440

2. The companies' share of the loss of the associated company since acquisition amounts to \$136,700 of which \$54,000 relates to the 1965 year. As the companies consider the associated company in the development stage, no provision has been made in the companies' accounts.

3. Expenses include total remuneration received by directors of \$66,800.

4. No income taxes are payable on the year's profit because of the carry forward for tax purposes of losses from previous years.

On behalf of the Board:  
  
GRANT HORSEY  
  
ALLAN D. BAKER



MARCH 4, 1966

President's Message to the Shareholders



On behalf of your Board of Directors, I am pleased to submit Versafood Services' Annual Report for the year 1965. The highlights of the results were as follows:

FINANCIAL RESULTS

1965 was a year of substantial progress. We refer you to the graph and statistics on the back sheet of the report as well as the audited statements shown on the inside pages. From these, it is evident that we have shown a steady improvement in all aspects of the company's sales, operations and financial position.

Related to the 1964 profit of \$118,016, the 1965 profit of \$365,343 is indeed a gratifying improvement. It is also interesting to note that while the rate of annual profit improvement for 1964 was less than \$100,000 the rate increased in 1965 to \$247,327 for the year.

The improvements in 1965 were made despite the effect of increased labour and material costs. Increased profits resulted both from improved volume and profit margins. Selling, accounting and other head office expenses remained approximately the same as 1964 despite the overall increase of 15% in volume. (1965 Sales \$23,883,647).

We anticipate that 1966 results will show a continued improvement in profit.

Working capital improved by \$488,496 during 1965. In addition you will note that the loan position with our bankers showed a decrease of \$497,224. This is most important progress as it creates greater flexibility in gaining new profitable volume which often requires substantial amounts of capital.

ORGANIZATION

During 1965 the Manual Food Service functions were divided into the Institutional Division which caters basically to hospitals, universities and colleges and the Dining and Cafeteria Division which provides service to commercial and industrial accounts. This has allowed us to develop more fully the special operating talents required for each separate group of clients.

The Manual Food Service Divisions continue to dominate the overall volume and profit contribution. However, our vending operations have shown percentage improvements similar to those of the Manual Divisions. We are currently employing about 3,600 persons in the combined operations.

Extensive management training and development programs were developed during the past year. This very important part of our planning for future growth will continue during 1966.

PRIMAVEND SERVICES LIMITED (Formerly Primapax Limited)

A word may be in order on the history of this company. In 1962 we joined forces on an equal partnership basis with J. Lyons & Company Limited in the operation of Primavend (then Primapax) in Great Britain. Primavend owns and operates coin operated automatic food and drink machines. As with any new company, and as reported to you, immediate profit returns could not be anticipated.

During 1965, Primavend made significant improvements through new profitable business and increased selling prices. On the basis of the volume, these improvements were more than offset by wage increases as well as increased selling and installation costs.

Management of Primavend has aggressively renegotiated prices. There is now good promise of producing profitable results. Your Directors are confident of the prudence in supporting the growth of Primavend during its initial years.

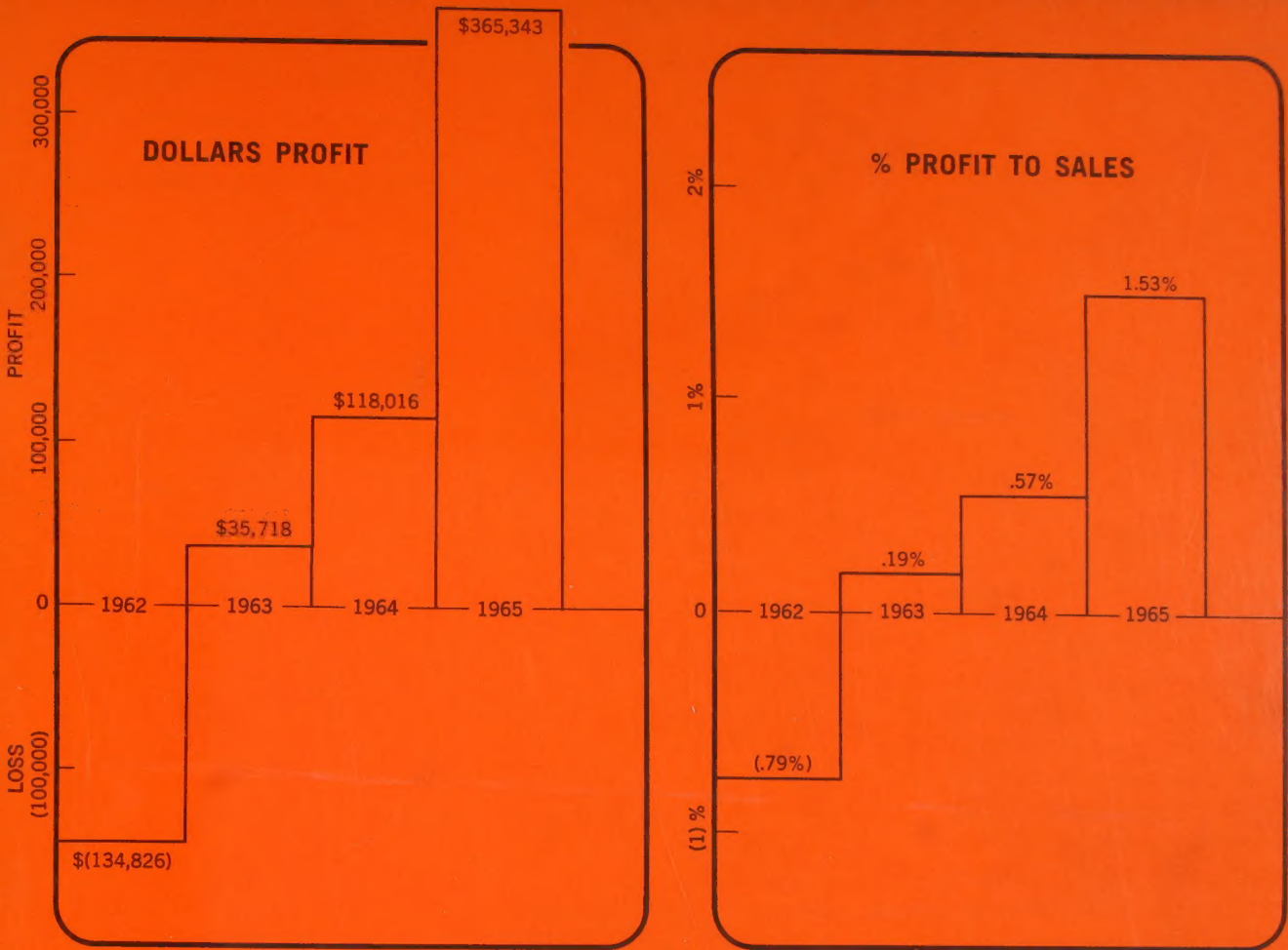
The Directors and Officers of the company join me in thanking our clients, shareholders, suppliers and indeed our employees from coast to coast for their continued loyal support.

On behalf of the Board of Directors,

*Allan D. Baker*

Allan D. Baker, President

VERSIFOOD SERVICES LIMITED



NOTE: No income taxes are applicable for the years shown.

COMPARATIVE STATEMENTS OF PROFIT AND LOSS

	1962	1963	1964	1965
SALES	\$17,016,966	\$18,595,968	\$20,746,169	\$23,883,647
OPERATING COSTS	\$16,023,306	\$17,426,190	\$19,570,336	\$22,450,409
PROFITS BEFORE THE FOLLOWING ITEMS	\$ 993,660	\$ 1,169,778	\$ 1,175,833	\$ 1,433,238
SELLING, ACCOUNTING & OTHER HEAD OFFICE EXPENSES	\$ 789,038	\$ 701,522	\$ 633,236	\$ 610,123
INTEREST CHARGES	\$ 37,237	\$ 63,083	\$ 61,392	\$ 54,901
DEPRECIATION	\$ 302,211	\$ 369,455	\$ 363,189	\$ 402,871
NET PROFIT (LOSS)	\$ (134,826)	\$ 35,718	\$ 118,016	\$ 365,343

Master Chef to the Nation

